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When Things No Longer Inevitably Get Better: The Political Economy of Generational Change in China

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KEY TAKEAWAYS

- China faces a major, demographic shift. While precise forecasting is fraught with difficulty, there is a broad consensus that as the population falls, burdens on the working population will increase.
- While the biggest impacts might still be some way off, the first effects will be felt within the next decade.
- The government has already introduced legislation to try to offset some of the shorter-term consequences. This will have the biggest impact on those who are currently at the start of their working lives.
- The same generation of younger Chinese also faces more immediate challenges; not least finding the sort of jobs they want in the places they want to live.
- While previous generations have, for many years, more or less assumed that their lives would be better than their parents, this is no longer the case, creating an important legitimacy dilemma for the Chinese leadership.

Keywords

Generational Change

Youth Unemployment

Demographic Change

Lying Flat

Legitimacy

Socio-Cultural Changes

Introduction

There has been much talk over recent years about generational challenges to the Chinese economy, and whether China might get old before it gets rich. The main focus has been on the consequences of China's demographic transformation with the 2020s already witnessing (albeit moderate) population decline. The UN calculates that by as soon as 2050, the overall population is likely to drop from a just over 1.4 billion (in 2022) to just over 1.3 billion. [1] Over the longer term, the decline is expected to be even more dramatic:

> *China is also likely to record the largest population decline of any country through the end of the century (786 million people). By 2100, China is projected to have lost more than half of its current population and to have returned to a population size comparable to that recorded in the late 1950s.* [2]

This is not necessarily a bad thing. There is no simple and clear calculation of the relationship between population size and the environment, and losing x per cent of the population does not automatically result in an x per cent decrease in environmental problems; where people live, how they live, who they live with and the demographic distribution make predicting ecological consequences of population loss rather complicated. Nevertheless, as Xi Jinping himself has argued, population decline does bring a "developmental dividend" by "alleviating pressure on the environment and resources". And a smaller economy might be a better economy too if it is characterised by quality rather than quantity. [3]

But as Xi also noted in the same speech, population decline also raises many complications too. This is in part simply consequence of size, as a smaller population will result in "a shrinking labour force and weakened consumer and investment momentum". However, age distribution is at least equally as important, and this smaller population will be an aging population too. Thirty per cent of the population (around 400 million people) is expected to be over 60 by as soon as 2035 - an increase from 20 per cent in just a decade - creating "great challenges to public services accessibility and the sustainability of social security system" *[4]* The dependency rate - the proportion of the population that is not of working age (ie: too young or too old) relative to those in work - is just under 50 per cent today. If China's population decline hits the UN's medium projection, it will be over 100 per cent by 2079. If it reaches the UN's most extreme projection, then it will be over 150 per cent. *[5]* And that's assuming a retirement age of 65, and the current plans are only to increase the retirement age for men from 60 to 63 and for women from 55 to 58 (by 2040). *[6]* Whatever the final number might be, it is very clear that there is going to be a lot of pressure on both the government and the working population to

2100 is still a long way off, even though it is closer in time to today than the founding of the People's Republic of China in 1949. 2079 (when the working age population is expected to be in a minority) is still more than half a century distant, but means that some of those who are currently in primary school will have to carry some of the burden. Changes to the retirement age though – and related changes relating to paying pension contributions for longer – will affect some of those who are already in work, and all of those who are just about to join the job market. If, that is, they can do.

Which brings us to arguably one of the biggest headaches that the CCP faces in trying to maintain its control over politics and society. Whilst obviously there are millions of individual exceptions, at the generalisable level, as new generations of Chinese became young adults, there was more or less an expectation that their livers would be better than their parents. And this was the case for many years; perhaps since the economic future began to look more promising in the early 1990s after a section of China's expectations (or maybe hope) of more freedom and choice were dashed in 1989. It is impossible to quantify how far this expectation of generational improvement resulted in support for the party and the one party state. It seems reasonable to assume, though, that it gave at least some Chinese an incentive not to rock the boat and accept the status quo that seemed destined to provide ever greater personal improvements and a brighter future.

This is no longer the case. Once again there will be millions of individual exceptions and talking at a generalisable level is always problematic. But for a significant number of young Chinese today, there is no longer that simple assumption that things are getting better and a good life lies ahead. And this means that at least part of the party's previous means of building popular support and legitimacy may well be losing its efficacy.

Sources of Concern

Having to work longer than their parents and contribute more to their pensions might be one cause of concern. And who knows, as has been the case in a number of countries facing funding crises for social services, that retirement is very likely to move further into the future at some point. But there are other more real and present causes of concern for many young Chinese adults today.

Indeed, in some ways it would be strange if there was an unquestioning expectation of good times ahead given the messages that have come from the top of the political system in recent years. There has long been a careful balance in official speeches and documents between acknowledging problems that need to be addressed on the one hand, and on the other hand reaffirming how effective the party is in successfully dealing with whatever obstacle that it has to overcome. But the warnings of rougher times ahead seem to have become louder in recent years as "the adverse impact of changes in the international environment increased, and some deep-seated structural problems that had been building up in the country for years came to a head." *[7]* Presumably the intention is to emphasise the need for unity and support for the party as it faces and deals with these challenges on behalf of the people. And also to dampen expectations of what can be delivered in the long term after years of high growth; growth that was often achieved at the expense of exacerbating the "deep-seated structural problems". But lowering expectations can be risky when it comes to maintaining popular support and legitimacy. It can have real world economic consequences too if a drop in confidence about the future results in a dip in the very same domestic demand that the leadership wants to increase in its search for an ever more resilient economic future. *[8]*

And this is exactly what has already happened in China. Here, though, real economic changes must have had more of an impact than rhetoric, with declining property and real estate prices a key cause of this drop in consumer confidence and consumption. Avoiding or delaying purchasing property because of concerns about future employment – an issue we will return to in more detail shortly - is just one of a rather large number of causes of the above mentioned "real estate crisis". *[9]* Yet despite the overall drop in prices, buying (or renting) property in those cities that most young Chinese want to work in – Beijing, Shanghai, Shenzhen, Guangdong, provincial capitals for example - remains very expensive, and look particularly expensive when compared to graduate starting salaries. *[10]* Whilst falling prices creates problems for one part of the population (and the economy as a whole), it is the residual high cost in desired locations that creates a different problem for those who are not already living where they want to live.

For those graduates and other young Chinese who can afford property – typically with considerable family support – smaller than desired apartments and long commutes to work are not necessarily what they thought the future would bring (though long commutes from cheaper accommodation is not just a problem for the young). *[11]* And just to add one more potential concern into the equation, China has been calculated as the second most expensive

place in the world to raise a child (after South Korea); on average 6.3 times the per capita GDP figure, and even more expensive in the cities compared to the countryside. [12] This is not the better life that was once imagined.

A reality-expectations gap?

The accommodation issue points to a key issue; the mismatch between expectations and opportunities. And this disparity is perhaps most clear when it comes to graduate and youth unemployment. As is the case in other countries, youth unemployment rates (in China's case, 16-24 year olds not in education) fluctuate from month to month as young people tend to enter the job market in lumps (as they graduate from school or university) but leave it in strands as they gradually find employment over subsequent months. There have also been periods when the state paused issuing statistics and change the baseline of comparison making it tricky to identify longer term trends. That said, youth unemployment figures of 14.9 per cent in December 2023 and 15.7 per cent a year later give a rough idea of the scale of the problem, even though it is widely thought that the real figure including all recent graduates is even higher. [13] It is likely that the figure for this age group is close to four times the overall national unemployment rate (roughly five per cent); though without statistical evidence, some informally suggest that the graduate unemployment rate a year after graduation could be as high as a third. What we do know for sure is that thanks to the demographic changes noted above and educational developments in China, a record number of over 12 million students graduated from University in 2025 joining an already crowded job market.

The high unemployment rate is not simply because there are no jobs. There are. But the jobs that are most widely available are often in sectors that graduates don't want to work in and/or think are not degree level jobs (for example, in sales or manufacturing). They are also often not in the places that they want to live and work, or offering the pay and conditions that are deemed appropriate for graduate entry positions. [14] The changing demographic balance combined with a shift in the nature of economic activity (and the rate of growth) have changed what is available and where. But the key is that expectations have been raised that are now often very hard to meet.

Shared Challenges, Distinct Chinese Contexts

China is not the only country in the world where the opportunities for (and expectations of) social advances have stagnated (or worse). Or where significant proportions of young people are disaffected and look to the future with concern rather than hope and anticipation. However, while there might be some similarities with events and experiences elsewhere, it would be a mistake to simply assume equivalence across cases. This is in part because it is important to identify different causes, as this will influence both the potential manifestation of disaffection and also potential responses to it too. Is immigration the issue in China that it is in some other cases for example? And also to identify different degrees of causality where there

are common bases for concern; is the cost of accommodation relative to incomes in the cities that people want to live in more of an issue in China than it is elsewhere?

More important, though, is the nature of the Chinese political system. It should go without saying that what you can and cannot do in a one-party state is very different from what is permissible in a democracy. And yet seems that it does needs to be said and re-stated every now and again. In democracies, parties often win elections by emphasising the failures of their predecessors. And the losing predecessors can regroup, lick their wounds, come up with new strategies and ideas, and try to win power again in the future. The latter is certainly not an option in the one-party state.

Continuity and Change in a One-Party State

Neither technically is the former. That said, new leaders have in the past tried to cement their position by pointing to their search for the solution to previous failings, even if those failings were brought about by the very same CCP that is now offering solutions. Whatever you think about the nature of CCP rule, it really is remarkable that the same party that unleashed the chaos of the Cultural Revolution is not just still in power today, but to a considerable extent cemented its power in the 1980s and 1990s by rejecting and overturning much of what it had done and stood for in the 1960s and 1970s.

The way that Xi Jinping argued the need for a "New Era" of Chinese politics did not represent as much of a U-turn as the one that Deng and other leaders made after Mao. Yet it did entail an implicit criticism of the policies of his predecessors who had acted too slowly and too late to change the economic model and the nature of economic growth. These failings had created problems that this new and latest incarnation of the CCP under Xi would now put right. So both the post-Mao and post- Hu Jintao leadership – to different degrees and in different ways – in part tried to model themselves as something new whilst at the same time emphasising continuity and the party's long-term efforts and successes since its formation in 1921.

Acknowledging problems in a one-party state entails a tricky balance between trying to convince everybody that the party has the tools to solve them on the one hand, whilst not shining too much light on the fact that it is the very same party that has caused them (or not already dealt with them) on the other hand. Moreover, while a new leader might be able to point to themselves as the solution to previous failings, that becomes much harder to do (and perhaps even impossible) the longer that leader has been in power.

Political participation (or the lack of it)

Moving from the rulers to the ruled, the corollary of this one-party state effect is that the disaffected in democracies have a number of options open to them. They can legally take to the streets to demonstrate (even if some democracies have tried to restrict this freedom of expression). They can air their grievances online, or through more traditional print and

broadcast medias. They can vote for or join or even establish political organizations and/or parties that actively confront the ruling powers and/or try to replace them.

Political groups and parties that want to challenge the CCP (let alone compete with it for power) are certainly not acceptable in the PRC, removing one of the key options of action available in other systems. [15] And notwithstanding the invention of China's online activists in finding ways of bypassing censorship, [16] publicly airing grievances is both difficult and dangerous; particularly if those grievances are broad based and/or systemic in nature rather than focussing on individual specific issues.

The same is true when it comes to protests and demonstrations. While we might not know the exact number of what tend to be called "mass incidents" in China, just following what is reported in the Chinese press tells us that there are lots of them. These tend to be responses to specific local issues with labour disputes the main driver followed by problems relating to real estate and housing (including forced evictions, demolitions and land usage). There is evidence that the number of protests and demonstrations has increased as economic growth has slowed, with " a particularly sharp rise in homeowners protesting against the unscrupulous practices of property management companies". [17] They are often – perhaps even typically - linked to concerns that local authorities are either not dealing with them properly, and/or that local officials are in benefitting from the wrongdoing. [18]

Given the most common causes of mass action, they might be thought of as reflecting a degree of dissatisfaction with a political system that is failing to protect the people it is meant to serve. In general, though, this is not the case. Instead, Chinese protests and protestors overwhelmingly focus on bad people at the local level doing things badly rather than on the systemic failings of the political system (that keeps allowing bad things to happen).

There are exceptions. While the anti-lockdown protests during the Covid pandemic might not have been wholly national in nature, they certainly took place in a number of places across the country at the same time (more or less). In some places, they were spurred by specific issues/failings; the Urumqi fire for example. [19] But they all had broader common concerns at their heart and individually and collectively demonstrated "declining trust in the central government" rather than ineffective or corrupt local officials. [20]

So there are activist options, but they are risky options for those who get involved. And the risk increases the more widespread, sustained and system-facing such activism becomes. It seems reasonable (to say the least) to suggest that the leadership would not be keen on allowing this type of activism to flourish.

Lying Flat?

If activist responses are not palatable, then what are the options? There is evidence that after a period of trying to get what they want, many young unemployed eventually accept the reality, shift their expectations, and take lower quality jobs and/or move to second or third

choice places to work. [21] Others are more or less giving up and moving back with their families and living on their parents income (and often on their pensions). When construction projects are abandoned and the structures left unfinished because of financial problems, they are called "rotten-tail buildings" in China. That is why those who give up and effectively don't finish their transition into adulthood are now often referred to as *"lanwei wa"* or "rotten-tail kids" (*lan wei* in Chinese literally means rotten tail but means unfinished). [22]

The term *"tang ping"* or "lying flat" has a longer provenance than *lanwei wa*, dating back to 2021. It originally referred to rejecting the "unrelenting" competition to do well with a specific focus on "the so-called '996' work system, which defines a work culture of 9 AM to 9 PM shifts six days a week". [23] It has evolved into a more general idea of just doing the minimum that you need to do to survive instead of striving to succeed. If you can't find a job – or the job that you want – then lying flat can be a more attractive option than continuing to struggle to attain the unattainable.

Once more we see similarities with disenchanted groups in other countries. But once more we need to think about the specific context of how China's one-party system functions; or perhaps more correctly, how China's leaders want it to function. If people withdraw, step back and lie flat rather than take activist action, is this really a problem for the leadership? Surely it is better to have politically inactive apathetic disenchantment rather than political action directed at the ruling party and the political system.

While this might be the case, particularly in the short run, the current Chinese leadership does not like apathy. Xi seems to think that it does not provide a sustainable basis for building a new economic model based on greater domestic consumption in the medium term or, more important, for legitimate and strong party rule in the long run. When Xi became Party leader in 2012, one of the problems that he identified for the future of CCP rule was the strained (at best) relationship between the party and the people. Another was what we might call societal malaise. There was no sense of a common cause or a common goal that bound people together into a single social unit. Hence the importance of trying to instil the idea of everybody working together to attain a single overarching and common "Chinese Dream".

Xi's vision for China is a one where "everyone participates and everyone does their duty". [24] In his ideal world, even participating to attain personal goals in a "rat race" is not enough, let alone the other extreme of "a society of layabouts". [25] People should participate to attain collective national goals (though in doing so they will also benefit personally too), and in order to do this the party needs to "rally public support [and] foster a new generation with sound values and ethics". [26] Is it realistic, though, to expect that the frustration of at least some of those whose expectations and hopes of a future that reflects their educational attainment (typically gained at a considerable financial cost) are not being met will really become the proactive and positive duty-driven participants that Xi is hoping for?

Conclusions: What does the Future Hold?

So what does all of this mean for the future? The honest answer is we don't know; and potentially nothing at all. While it is relatively easy to identify potential sources of discontent in China, this is not the same thing as identifying how, why and when discontent becomes something else; some sort of political action. Who knows, perhaps the frustrations of this generation will eventually dissipate as people accept plans B, C or D rather than continuing to strive for plan A. Presumably at some point, reality will kick in and expectations of new generations will settle down around a new normal. Indeed, this transition seems to already be well underway. As argued above, the removal of the expectation (more than hope) of generational improvement and a good life will remove a key pillar of support for the system. But maybe the party too will learn to learn to live with this new normal, and accept that while apathy might not be as good as active support and participation, it is better than active opposition. Or maybe the legitimacy gap will be filled by something else; a renewed push to emphasise patriotism and nationalism in a hostile international environment for example.

Moreover, it's not as if the CCP leadership is unaware of the problems. On the contrary, they have been identified as requiring urgent and effective responses. This quote from Xi Jinping's remarks at a politburo study session in 2024 is quite long, but it is worth repeating in full here as it shows his understanding of what the future might hold (even if it is more about employment in general rather than the specifics of youth unemployment and expectations), and not least the challenge of meeting expectations:

> *we must acknowledge the many prominent issues and problems confronting us in employment work. China has entered a phase of development where strategic opportunities coexist with risks and challenges, while uncertainties and unpredictable factors continue to rise. Maintaining stable growth and employment remains a pressing task. Trends such as declining birthrates, an aging population, regional disparities in population development, and digital transformation of the economy are exerting a stronger impact on employment, further highlighting structural employment issues. Moreover, as people's needs for a higher quality of life grow, there is an urgent desire among workers for higher-quality job opportunities.* [27]

Recognising the problem does not automatically result in workable solutions, and Xi also acknowledges that it will take time for any solutions to bear fruit. But at least we know that there is awareness and commitment at the highest level.

This is not an issue that has clear and direct implications for Europe and Europeans. There may be consequences for the number of Chinese students studying in Europe, but even that impact isn't very clear. Anecdotally, some overseas graduates believe that those with degrees from Chinese universities are being favoured by some employees. But at the same time, there

is other anecdotal evidence that points to students taking further or second degrees, including overseas, to postpone having to try to join the job market.

Ultimately, though, it is not the intention of these EuroHub4Sino papers to always focus on issues that have clear and direct relevance for Europe. To be sure, some of them do. But our overall mission is to enhance European knowledge of China to enhance the foundations of knowledge-informed policy making. Understanding the challenges that the party faces – including those that the leadership is well aware of – is crucial to this endeavour. And that's before we even start to consider other generational changes that will simply add to the challenge of leadership and legitimacy in a one- party state in the longer run. The problems of the young might be the most pressing today, but the problem of the aging and old is going to be a potentially even bigger issue in the future.

[1] United Nations, World Population Prospects 2022: Summary of Results (New York: United Nations, 2022), p.6.

[2] United Nations, World Population Prospects 2024: Summary of Results (New York: United Nations, 2024), p.16.

[3] Xi Jinping, "Yi renkou gao zhiliang fazhan zhicheng zhongguo shi xiandaihua (Supporting China's Modernization with High-Quality Population Development)", Speech at Central Economic and Financial Affairs Commission, 5 th May 2023, available at https://mp.weixin.qq.com/s/dcbQ6fjWb1Op4KZTmGZNGg last accessed 6th August 2025.

[4] "China to be a severely aging society by 2035; quick aging, large population pose challenges: health authority", Global Times, 20 th September 2022, available at https://www.globaltimes.cn/page/202209/1275650.shtml last accessed 6th August 2025.

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[7] This specific quote is taken from the 2025 Government work report, but the basic idea has been repeated many times. See Li Qiang, "Report on the Work of Government", 5 th May 2025, available at https://english.www.gov.cn/atts/stream/files/67d179afc6d0c78809900055 last accessed 4th August 2025.

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[11] Jiang Xinyi, "In Chinese Megacities, 'Ultra-Long Commutes' Are on the Rise", Sixth Tone, 21st October 2024 available at https://www.sixthtone.com/news/1016040 last accessed 14th August 2025.

[12] Liang Jianzhang, Huang Wenzheng and He Yafu, "Zhongguo shengyu chengben baogao 2024 ban [China Fertility Cost Report 2024 Edition]", Yuwa Population Research, 21 st February 2024, available at file.c-ctrip.com/files/6/yuwa/0R72u12000d9cuimnBF37.pdf last accessed 13th August 2025.

[13] Wu Xinyi, "China's youth unemployment hits 11-month high as army of graduates joins job hunt", South China Morning Post, 19 th August 2025, available at https://www.scmp.com/economy/economic- indicators/article/3322347/chinas-youth-unemployment-hits-11-month-high-army-graduates-joins-job-hunt last accessed 19th August 2025.

[14] Melody Chan, "'Do I expect too much?': China's class of 2025 faces harsh job reality after graduation", CNA, 11th July 2025, available at https://www.channelnewsasia.com/east-asia/china-graduates-2025-unemployment-crisis-5222776 last accessed 1st August 2025.

[15] The non Communist party political organisations that exist in China only do so on the condition that they accept the CCPs leadership and do not challenge or compete with it.

[16] For details and examples, see the Grass Mud Hut Lexicon available at https://www.chinafile.com/library/books/Grass-Mud-Horse-Lexicon last accessed 8th August 2025.

[17] Kevin Slaten, "Protests Appear to be Increasing in China. What can we Learn from Them?", Freedom House Perspectives, 14 th August 2025 available at https://freedomhouse.org/article/protests-appear-be-increasing-china-what-can-we-learn-them last accessed 15th August 2025.

[18] "China Dissent Monitor", October-December 2023, available at https://freedomhouse.org/sites/default/files/2024-02/CDM-6-Report-02-2024.pdf last accessed 8th August 2025.

[19] Ten people died when an apartment block caught fire. The lockdown was variously blamed for preventing residents from leaving the building and hampering firefighters' efforts to reach the site.

[20] Yue Guan, Lei Guang , Li Lianjiang and Yanchuan Liu (2025) "The Rally Effect of the COVID-19 Pandemic and the White Paper Movement in China", Journal of Contemporary China, 35 (151): p. 117.

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[27] Xi Jinping, "Advancing High-Quality and Full Employment", Qiushi, 27th May 2024, available at https://en.qstheory.cn/2025-03/13/c_1078272.htm last accessed 15th August 2025.

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